



Battle of the consoles

The next generation of games consoles promises unprecedented power and a host of advanced networking and multimedia features, but Paul Nesbitt wonders whether they could kill off the home PC

Announcements from the three main players in the games console market have triggered a war every bit as bloody as the shoot-'em-up games that drive the \$28 billion-a-year (around £16bn) games industry. Sony, Microsoft and Nintendo have outlined the technical details of their new consoles. They're not even available yet, but that hasn't stopped the hype machine.

Sony, still reeling from Apple's hijacking of the music player market it pioneered with the Walkman, is more reliant than ever on the continuing success of its PlayStation. Gaming accounts for just 10 per cent of Sony's sales, but last year this translated into 38 per cent of its profits. The PlayStation is Sony's only big hit. Microsoft may have stormed to the number two position with its new Xbox, but the company is still losing an estimated \$1 billion (around £550m) a year in the console business. Meanwhile Nintendo, now third in the market, is desperate not to go the way of previous console titans Sega and Atari.

THAT'S ENTERTAINMENT

The Xbox is Microsoft's key to getting into the biggest growth market in technology: home entertainment. The Media Center PC has been a dismal failure with annual sales of around 500,000 out of total global PC sales of around 180 million. As HP has made three-quarters of these sales, the rest of the PC hardware industry has been selling just 125,000 Media Center PCs per year.

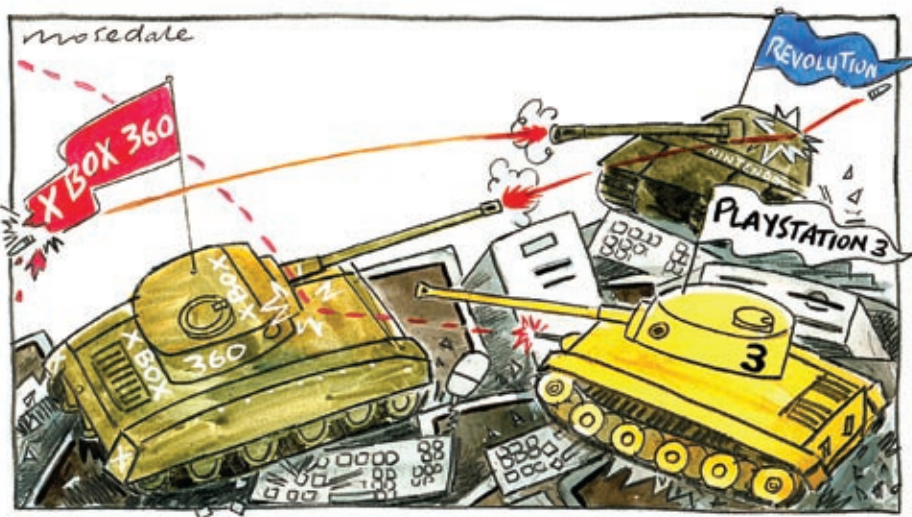
The three new consoles have been announced far ahead of any launch dates. The new Xbox will not appear until Christmas, and the PlayStation 3 (PS3) is slated for the middle of next year. The really striking thing is not how soon the products will arrive, but how powerful and feature-packed the hardware is.

The PS3 will use a 3.2GHz Cell processor, which is a PowerPC chip developed by IBM, Sony and Toshiba. The Cell processor has eight separate processing cores and a total system performance rated at 2.18 teraflops, which is astounding. The Xbox 360 will be a water-cooled box containing three dual-core 3.2GHz PowerPC-based processors, giving what Electronic Arts VP Jeff Karp estimates as 10 times the performance of today's Xbox.

Both the PS3 and the Xbox 360 will come packed with USB ports, built-in wireless connections and support for HDTV output thanks to the very latest ATI graphics cards. Bobby Kotick, CEO of games publisher Activision, said that the new console games would look "like movie special effects".

THE PRICE IS RIGHT

Despite the cutting-edge hardware, the consoles are expected to cost less than \$500 (around £275), even at the higher estimates. This makes them cheaper than all but the most basic PCs. Technical and styling innovations, with the honourable exception of Apple,



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have long disappeared from the PC market. How many PCs come with removable 20GB hard disks like those promised for the Xbox 360? This is potentially a very useful feature.

Microsoft insists that the Xbox 360 is no threat to the PC, and the new Xbox is reported to run a cut-down version of Windows 2000 recompiled for the PowerPC chip. It obviously hasn't been designed for the business environment, at least. But given that both Microsoft and Sony's new consoles will play music and videos, display photos and provide facilities for instant messaging and web browsing, they appear to offer better value as home computers than expensive Media PCs from HP, for example. Microsoft might deny it, but the company's latest victims will be its own most important customers, the PC manufacturers.

It's not hard to imagine the PC market as we know it coming to an end in the next five years. For many business and home users, the PC is too powerful and insecure for such jobs as word processing, email, web browsing and interrogating databases. In the future, client PCs will be simpler, more secure and leave heavy-duty processing to back-end servers that they access on the web.

If you think this is a revival of Larry Ellison and Scott McNealy's failed Network Computer pipe dream, think again. Google's future is predicated on letting its leviathan network of servers do and store more of your work, as well as offering free, small desktop client applications or network applications to process data. This sort of development keeps Microsoft chairman Bill Gates awake at night, his

recent sneering remarks about Google notwithstanding: at the *Wall Street Journal's* All Things Digital conference Gates said, "Google is still, you know, perfect. The bubble is still floating. They can do everything." The problem for Bill is, at the moment, Google does seem able to do everything.

POWER GAMES

Meanwhile, in the home entertainment market there remains a demand for supercharged processing power and the very latest graphics technologies. The games console, rather than today's overpriced and clunky consumer PCs, will win in this market.

Microsoft executives have generally downplayed the company's positioning of the Xbox as an alternative to the Media Center PC, but senior executive Jeff Henshaw was less circumspect. "The Xbox 360 is a catalyst that jump-starts not just the game industry but the entire entertainment and consumer electronics industry into the high-definition era," he said.

Microsoft and Sony will also usher in a new business model for the home PC. Similar to the mobile phone industry, the price of hardware is subsidised by services and games developers. Both consoles offer network gaming and internet access.

In this new scenario, the losers will be PC vendors such as HP, which focuses on the home market, and Intel, as none of the consoles are based on its x86 chips. Ironically, the biggest winner could be the original PC maker, IBM. The company's PowerPC processor architecture is at the heart of all three new games consoles. **CS**